April 27, 1960

Investor's Reader

For a better understanding of business news

AL DRISCOLL GOVERNS WARNER-LAMBERT (see page 18)

PEOPLED FOR FUN

This admittedly "bizarre collection of fun furniture" by industrial designer Jay Doblin is dubbed "People Chairs." Latest addition to Aluminum Company of America's Forecast collection, the company's "program to commission outstanding designs for the future in aluminum," the People Chairs show how a chair can be folded from a single piece of aluminum rather than assembled from several different components.

While People Chairs are not now on the market and probably never will be, fully integrated industry leader Alcoa notes a satisfying increase in more conventional business and seeks to have more facilities on hand for future demand. It is currently in the midst of a big expansion program which should raise its primary aluminum capacity almost 30% ahead of the 1959 year end level. Biggest construction is an $80,000,000 smelter at Warrick, Ind slated for June operation which will add 175,000 tons of primary metal a year. Originally begun in 1956, work on this plant was temporarily slowed when aluminum supply began to outrun demand.

Now however increased use of aluminum in industrial construction and equipment plus a substantially enlarged auto market has upped demand and the six US primary producers have put temporarily idled potlines back into production and announced further expansion.

Meantime industry forecasts predict a 10% increase in all aluminum shipments for 1960. Hence Alcoa and other producers look forward to a good year. In 1959 Alcoa tallied $858,500,000 in sales for a 14% gain over the year before but still $11,000,000 below the 1957 record. Profits recovered to $55,570,000 ($2.52 a share) from $42,890,000 ($1.96) but remained below any year in the 1953-to-1957 period.

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Investor's Reader

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College Investors Major in Sophistication

Endowment Funds Build With Common Stocks and Bonds with Built-in Equity

THE NATION'S college and university endowment funds have long been classed among the most conservative of investors. Now they increasingly favor common stocks and some seek both high yield and growth potential via bonds with conversion privileges and warrants included.

Major college endowment funds showed 56% of market value in common stocks in June 1959, up from 52% in 1958 and 49% in 1954, according to figures compiled by investment fund managers Vance, Sanders & Company. Many colleges are even more common stock-minded—notably Lehigh 86%, University of Virginia 78% and Washington & Lee, Caltech, Case and Oberlin all in the neighborhood of 70%. Bonds usually make up most of the rest of the portfolios. In some cases the bond sector has been utilized in wonderfully profitable ways.

One example is Swarthmore College, a small Quaker-founded co-ed school outside Philadelphia with 900 students. Its endowment has shown remarkable growth. From total contributions of $11,194,000 over the years the fund has swelled to a market value of $23,566,000 on March 31. Yield on the whole portfolio is 3.6% at current market value. It is 7.5% based on the original investment.

Fund Fundamentals. Swarthmore's common stock concentration has grown to 68% from only 42% in 1953, mostly because of appreciation of relatively small initial investments. It traces to 1951 when alumnus Thomas B McCabe '15 returned to the presidency of Scott Paper Company after his tour as chairman of the Federal Reserve Board. He also became chairman

of his alma mater's committee on trusts. His associates describe him as "a perennial optimist on US business" with a philosophy of looking for companies which are moving ahead—particularly those stressing research and development. The investment committee, which includes several prominent Philadelphia area businessmen and *New York Herald Tribune* financial columnist C Norman Stabler '23, is advised by John W Bristol & Company of New York.

The aggressive bond portfolio comprises 23% of total funds but that figure alone does not tell the story. Says a fund adviser: "We have sometimes been criticized for not having socially acceptable bonds." Instead the preference has been for "interesting bonds of sound companies in growth industries not widely enough known in investment circles to command low interest costs." Some bonds in this class are: Avalon Telephone Ltd (Newfoundland), Colonial Sand & Stone (New York), Evans Products (Plymouth, Mich), La Gloria Oil & Gas (Houston), J N Rawleigh (High Point, NC) and Southern Nitrogen (Savannah, Ga). In the electronics field are Ampex, I-T-E Circuit Breaker and Ling-Altec.

Of 36 long-term bond issues in Swarthmore's current portfolio, eleven have warrants attached, six are convertible and four have stock with the bonds. In a number of cases the warrants have already been shifted to the stock category. The results are noteworthy:

issue	warrants	book cost	market value (3-31-60)
Colonial Sand & Stone	7,293	$ 4,500	$ 87,516
Ampex Corp	8,100	5,400	226,800
Coastal States Gas $7.50	12,000	1,200	288,000
Coastal States Gas $32	1,870	13,090	22,440

The five other warrant issues in the portfolio show little change. They are Avalon Telephone, Evans Products, Canadian British Aluminium (Montreal), Home Oil (Calgary, Alberta) and State Loan & Finance (Washington, DC).

Most of Swarthmore's bond issues have been bought via the private placement route. Even with its interest in bonds with built-in common stock, Swarthmore has managed to achieve a yield of 4% on the bond portion of its portfolio. On the subportion devoted to corporate bonds which are not convertible the yield is 6.1%.

Canadian Gas Stations. The unconventional can be seen in other parts of the Swarthmore list. The fund holds two real estate leasebacks for gasoline stations in Canada, one for $257,000 Canadian Petrofina yielding 6.5% and the other for $210,000 Royalite Oil yielding 5.7%. Another unusual holding is oil and natural gas royalties in the Dora Roberts Oil Field valued at $235,000 and yielding 5%.

Aside from bonds, Swarthmore has fared extremely well in its direct purchases and long-term holdings of common stock. Prime examples:

issue	shares	book cost	market value
American Home Prod	2,000	$ 21,212	$320,000
IBM	2,077	202,645	911,803
Polaroid	1,000	28,794	214,000
Smith Kline & French	4,500	26,777	252,000

Good gains are not confined to the oft-called glamor stocks. They can also be seen in stocks known decades longer as blue chips:

duPont	1,664	$191,344	$372,736
Int Paper	1,827	53,348	204,624
Scott Paper	13,470	554,922	1,064,130
Texaco	7,344	180,980	558,144

There have been some handsome gains in stocks ordinarily supposed to be defensive issues such as utilities, banks and insurance companies:

Central & South West	7,000	$48,226	$245,000
Houston Lighting	2,245	36,470	170,620
Provident Tradesmens	1,250	26,892	70,000
Continental Ins	4,540	56,395	227,000

Nor has Swarthmore ignored over-the-counter industrial issues. Two of the following are better known for their services than as securities issues:

Dun & Bradstreet	5,800	$98,994	$301,600
A C Nielsen	1,500	56,972	115,500
Southern Nitrogen	5,400	13,500	41,850

Some Losses. The college does have a few stocks (eleven of 77) which currently show losses. Some of the larger ones are:

issue	shares	book cost	market value
Amerada	2,500	$192,614	$162,500
Argus Corp	2,000	80,158	60,000
Photon Inc	1,000	32,600	9,750
Socony Mobil	2,000	97,896	74,000

Some of the most basic US industries are hardly discernible in Swarthmore's choice of industrial stocks. Of the 64 holdings in that category, there are only one auto company (General Motors), one steel (US Steel), no heavy machinery, aircraft, airlines or rails. In contrast the most heavily represented fields are oils, papers, drugs and chemicals. Largest single holdings are Scott Paper and IBM.

As in dozens of other institutions, income from endowment has been a vital factor in the growth of Swarthmore. In the 1958-59 fiscal year investment income totaled $758,000 which dwarfed the operating "profit" of $8,000. The success of the fund coupled with generous gifts of alumni, friends, foundations and corporations has enabled the college to raise faculty salaries 61% in the past five years and today 35% of the full-time teaching faculty earns $10,000 or above.

Nevertheless each semester is nip & tuck—at least financially. Swarthmore president Courtney C Smith reports new funds will be needed to replace the college library and dining hall, both badly overcrowded. And student fees have been pushed consistently higher, till the total for tuition, room & board is now $2,200 a year. Still the student pays only 58% of the cost of his education.

WALL STREET

Electronic Giant

LAST WEEK the 214,630,000 shares of American Telephone & Telegraph pushed their way to a 30-year high of 93. Adjusted for a 3-for-1 split one year ago this equals 279 for the stock whose all-time peak was 310½ in 1929.

Behind this rise may be an often forgotten fact: "Telephone" is the biggest electronic outfit of them all. Its 99.8%-owned subsidiary Western Electric had sales last year of $2.3 billion (virtually all to Bell or the Government) and net profits of $102,000,000. In fact Dow-Jones uses this "electronics industry" connection as its reasoning for listing Telephone in its "industrial" average. As an historical note, the Government in 1956 settled an anti-trust suit with a consent decree which allowed Big T to keep its subsidiary.

Day Letter to Shareholders

WHILE GIVING early and frank attention to the present, Western Union president Walter Peter Marshall chose to focus his main message on the future as he addressed over 600 of the company's 38,000 stockholders at the annual meeting in Manhattan last week.

Chief wireman Marshall told the holders "so far the 'soaring Sixties' have not soared very high." With high inventories causing caution in a number of major industries, he said, there has been a related softening of public message volume. "This is natural since business telegrams deal predominantly with the buying, selling and shipping of goods; in fact more than 83% of our public message revenue comes from business." First quarter earnings are thus expected to amount to $2,650,000 or 41¢ a share *v* the near-record 55¢ of a year ago.

He also ticked off some expense factors which held the quarter's earnings down: 1) severe and widespread storms, 2) higher depreciation and amortization charges, 3) higher Social Security, 4) rising cost of pensions and 5) an extensive management development program.

A possible near-term fillip could come from a favorable rate decision on private wire services. The FCC has completed its three-year study on the subject.

These tidings attended to, chairman Marshall, aided by slides and models (inanimate), spoke of things to come for the big communications concern:

- A microwave beam system with a 3,700-mile Boston-to-Los Angeles backbone to carry message impulses ranging from computer data to facsimile reproduction of written, drawn or printed matter. The Air Force will be a major user but there will be ample room on the multi-message beams for commercial use.
- New data transmission systems, also mainly for Air Force use. These together with the microwave beam system are expected to add $20,000,000 annually to private service revenues before the end of 1961.
- A bomb alarm system which de-

tects nuclear blasts and records them on maps maintained at strategic control spots. Installation on the Eastern Seaboard is scheduled to be in operation in a few months. Western Union will receive $2,000,000 a year for providing and maintaining the system.

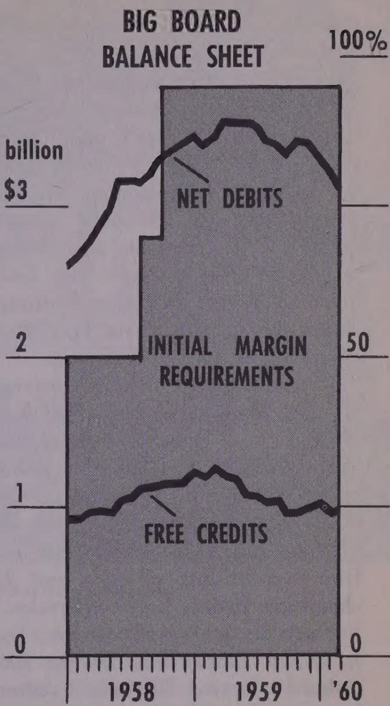
• A US Weather Bureau order for facsimile transmission of weather maps, expected to add nearly $1,000,000 annually to Western Union revenues.

Farther in the future are transmission of communications by satellite and advanced equipment for tracking satellites.

One important present Western Union operation of course is the national wire network for the New York Stock Exchange ticker which, apparently influenced more by the immediate results, last week tapped out a quotation of 45 for WU, down from the post-Depression high of 57 set earlier in 1960.

The Margin Climate

OCTOBER 1958 was a month of considerable excitement. Industrial production had been in a steep climb for six months; fewer people seemed worried about how to get a job; the smell of inflation was in the economic air and the stock market was robust. Then the Federal Reserve Board decreed margin requirements of 90%, higher than any time in history except 100% immediately postwar. One official reason: "Excessive speculation in the stock market." Even with higher margins the stock market raced to an alltime high of 683 fourteen months later.



Last week the economic air had changed. Industrial production had eased from its alltime high in January; March employment had gone down; if inflation reigned it was hardly evident in the lowest commodity prices in over ten years. The stock market itself—an original target of the FRB—was in the doldrums. The money owed on margin accounts had declined half a billion to $3.1 billion (see chart), just 1% of the almost $300 billion value of all Big Board stocks. As acidly expressed by one financial veteran: "It's the damndest thing I ever saw—margins at 90% and steel production at 79%."

CHEMICALS
National Sticks to It

ALTHOUGH consumers never see a National Starch & Chemical Corp brand on a package, chances are good the company's main product is what holds it together. Though small compared to giant starchmakers Corn Products and Staley which extensively cover the food market, $29,000,000-assets National claims the role of the nation's No 1 maker of packaging adhesives.

It puts the stickum on a myriad of items from envelopes to shoes to cigarets—and most of all on the packages these and countless other products come in. National creates these custom-made gums from its title products: 1) starch, derived from wet milling of corn and 2) chemicals, mainly polyvinyl resins.

These basic ingredients are put to many other uses beside specialized adhering. National's output is used extensively in papermaking, yarn sizing, foods such as puddings and pies; also in such unlikely endeavors as oil well drilling, drugs and rubber.

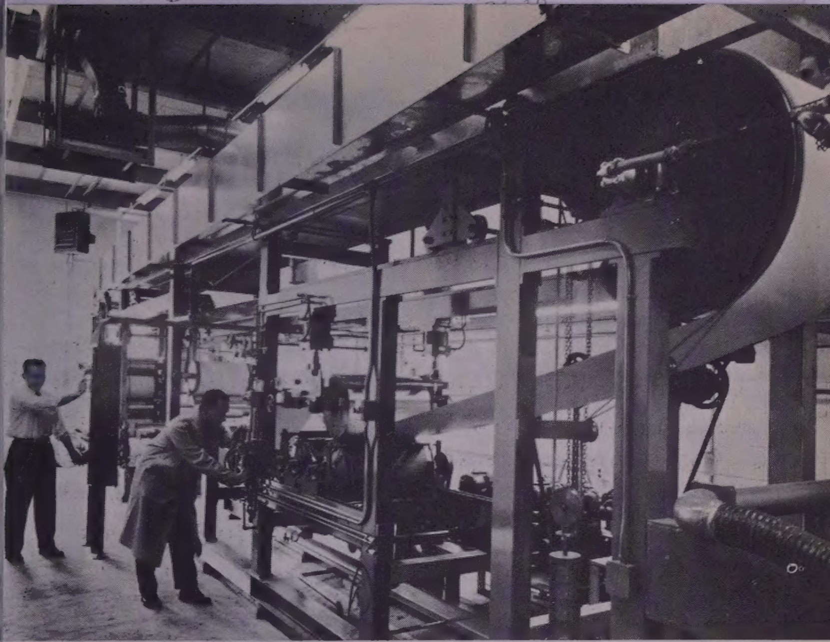
Technical applications are increasing. As the company rather formally explained when it added "& Chemical" to its corporate title just a year ago, it acted "to reflect more properly activity in chemical products, sales of which constitute a substantial part of its current business" and to indicate chemistry's part both in its manufacturing and research & development.

National notes it is No 2 US producer of polyvinyl acetate (after duPont). This plastic is used not only in adhesives but also in paints and all sorts of coatings from floor coverings to hairspray. Nowadays fully half the company's business is in the chemical field and it spends 4% of sales on R&D to develop additional products and applications.

The chemical tack was underscored last year by addition of three small chemical-minded firms: American Parboard of Black Mountain, NC, Polytex Adhesives Corp of Wallington, NJ and Polimeros SA of Mexico City. Parboard's flakeboard production complements the output of the granite board division which National had bought in 1956. Granite board manufactures a high-quality particle board made from wood chips and resin bonded together under heat and pressure. Used as core stock and for plastic and veneer furniture laminations, it competes directly with plywood.

Starchy Glamor. National chairman Frank Koehler Greenwall last fortnight explained the chemical expansion to the New York Security Analysts with his belief "diversification leads to stability." But he also stressed starch has not lost ground. "Our growth will be equally fast in starch and chemicals. Starch is equally glamorous even though the names deny this."

Frank Greenwall then elaborated on another "stabilizing factor," namely National's "operations philosophy" which stresses group management, intensive internal training and promotion and a one-price selling system which allows no gimmicks. This policy has resulted in a sales increase in each of the last ten



New National machine pilot-tests coatings

years; earnings have moved up every year for the last seven. In 1959 sales reached a record $52,800,000 *v* $46,200,000 in 1958. Earnings too were the best ever at $3,337,000 or $1.67 a share compared to $3,130,000 ($1.58) the year before.

To maintain the record, National plans to spend $6,300,000 in 1960 compared to $2,900,000 last year. The biggest piece of this will go for a one-third expansion of the Indianapolis corn mill, bringing its grinding capacity to 7,000,000 bushels a year. Also, the chemical complex at Meredosia, Ill is slated for a new plant to produce a yet-to-be-announced resin product. Says chairman Greenwall: "It is not a chemical breakthrough but a novel achievement with an already known product."

To finance these expansions and improvements, National has borrowed $5,000,000 from banks and $3,000,000 in 5½% subordinated convertible notes. The rest of the capitalization consists of 8,800 shares $4.62½ preferred stock and 1,970,000 shares of common. Largest of the 1,770 common stockholders is chairman Greenwall who controls about one-third of the outstanding shares. The stock currently trades on the Amex around 28, down from a 1959 high of 40 but over seven times the 1949-53 level.

As for 1960, the first quarter brought an 8% sales increase with profits following suit. For the year Frank Greenwall sees "no reason why we should not continue under normal business conditions to get our share—and more."

MANUFACTURING
Veeder-Root Vim

PRECISION counting devices made by Veeder-Root Inc of Hartford aid in recording space flight data; for instance they were imbedded close to the head of Monkey Able during last year's first successful US-sponsored animated space jaunt. But Veeder-Root's products also give dependable service in many mundane operations. The company's tiny manual and electric counters are used as computing devices in typewriters, tractors, textile looms and gasoline pumps while the more specialized (and far more expensive) electronic counters are active "adders" in radar, communications, and other fancy systems.

The Government is a leading buyer of both electrical and electronic versions of Veeder precision counters for guidance, navigation and fire control systems in missiles, rockets and aircraft. Veeder treasurer Andrew Rebmann figures "defense business in 1959 was some 13% of sales or about the same as in 1958." The $20,000,000-assets firm has not reported total sales since 1957 when they came to $22,700,000; outsiders conservatively guess last year's volume was in the neighborhood of $25,000,000.

Treasurer Rebmann however emphasizes: "Defense business is not and will not be a significant part of Veeder operations. It is of too specialized and too expensive a nature." At the same time he points eagerly to the burgeoning industrial uses for Veeder's special counters which range from office, farm and production equipment to postage meters.

Increased industrial demand helped raise 1959 earnings to $2,160,000 or $4.35 a share from the $1,900,000 ($3.83) of 1958. But they still fell short of the record $2,485,000 ($5 a share) earned in 1956. Dividends have been maintained at $2.50 a year since 1956. The company has only 466,000 common shares outstanding which makes for a thin over-the-counter market (latest quote: 53 bid).

For a continued high profits count abetted by increased industrial applications the company carries on an active research program. Current new product development includes a wealth of aids for the oil industry: a printing device for use with gasoline credit cards; a multiple totalizer which automatically records the total sales of each gasoline attendant; and a meter register printer for use on oil trucks to record delivery of fuel oil. Veeder research has also turned out a new miniature counter for use in aircraft fuel measurement with adaptations for use in altimeters, navigation instruments, radar and missile control equipment.

Veeder's work in the more sophisticated class of electronic counters is still in a relatively early stage: "We

started our production of electronic counters two-to-three years ago. We're gradually building up engineering know-how and we're progressing along steadily."

External Tally. Along with a growing research program and internal modernization at the Hartford plant, the company maintains an aggressive external acquisition policy. Iseli Swiss Screw Machine Company of Terryville, Conn, a producer of minute precision parts for watches, cameras and missiles, was acquired a year ago. This March the counter maker added Mac-It Parts Company of Lancaster, Pa which makes socketed alloy screws.

Veeder also counts abroad. In 1957 it set up the Holo Krome Ltd division at Dundee, Scotland. Now, treasurer Rebmann admits, "we're actively looking for a set-up in the Common Market countries." Early in 1959 Veeder entered Brazil where "we'll grow with the country's economy—it's quite a place." Globe-trotting Veeder has also set up shop in Australia. Treasurer Rebmann describes it as "a small distribution operation but we may be assembling some counters there soon."

As yet Veeder has not felt any significant effect from Japanese competition "although they have copied a few of our counters." However competition for Veeder is supplied at home by General Controls Corp and overseas by a few German and British producers.

In any case, competition has not deterred the tally for the first quarter which "has been pretty good, up a bit from a year ago."

CONTAINERS

Owens-Illinois Global Look

PRESIDENT Carl Robert Megowen of No 1 US glass container producer Owens-Illinois Glass last fortnight told New York Security Analysts his $492,000,000-assets firm is looking "to markets in Europe and Africa" where glass container growth "will be twice that of the US." He summed up: "Our global program is underway."

Already this year OI (Big Board ticker symbol) has acquired interests in two European glass makers. It bought "slightly more than half the stock" (with an option for another 25%) of Gerresheim Glass Works, leading German producer of glass containers and plastic products, and all the outstanding shares of Belgian tumbler and stemware maker Durobor. OI chairman John Preston Levis comments: "Through these investments we've become an active participant in the European Common Market where there are great opportunities."

Other than its new Common Market interests, OI is active in Cuba, Venezuela and Colombia. Currently unscathed by Premier Castro's policies, the Cuban glass container plant "is operating successfully and is supplying two-thirds of the island's container needs" according to president Megowen. However he admits it is "a week-to-week operation." In Venezuela OI has a glass bottling venture which "is operating efficiently and profitably" and Owens plans to increase its capacity by 150%. A glass container plant in Colombia is being renovated and

Inspecting new-formed gallon jug

will be in production by Summer.

OI is entering Canadian production with a plant near Toronto for semirigid containers. It is to be ready in June. Elsewhere around the globe OI earlier this year agreed to supply technical know-how to glass makers in Brazil, France and Japan. It also has a small interest in the Japanese company.

OI's foreign hopes work two ways. President Megowen notes: "Although we in the US are far ahead of the rest of the world in technology, we stand to profit from the ideas and imagination of our friends overseas." As for immediate benefits: "If things go well this year foreign sales including exports should account for some 20% of volume."

The rest of Owens-Illinois volume will come from the company's 58 domestic operating units. Products range from glass containers and plastic packaging materials to paper containers and bags, glass electronic components, glass building materials. Best known to the consumer is the Libbey Glass division which makes glass tableware, recently expanded its offerings to include melamine dinnerware.

Domestic business, too, has come in for its share of expansion. This year's plans call for two additional plastic container plants in Los Angeles and Kansas City, a corrugated shipping box plant in Minneapolis, a glass container factory in New Orleans, a warehouse in New Jersey. In all, Owens plans to spend "about $32,000,000 on domestic capital improvements this year, an additional $5,000,000 abroad."

Owens-Illinois has also spent heavily on research. In the past five years it has devoted more than $55,000,000 to research, new product development and engineering. Among the most promising new products are non-deposit beer and beverage bottles, an improved glass baby food jar, blown plastic containers for detergents, plastic sacks for moisture-proof shipping, improved & enlarged glass TV picture tubes.

With this extensive product mix president Megowen noted first quarter sales gained about 6% over the same 1959 period's $123,400,000 volume. Earnings "were about the same" as the $7,840,000 or 98¢ a share of the first quarter last year. For the full year, he states, "we have

every reason to hope for improved sales & earnings." In 1959 sales were a record $552,700,000 and earnings reached an alltime high of $40,-830,000 or $5.20 a share. But headman Megowen cautions: "It is difficult to forecast specific gains."

ART
Fads and Fade-outs

MANY NEWSPAPERS frequently give coveted front page space to outstanding events in the art world. A recent example: at the Sotheby Gallery in London a 17th century Gainsborough portrait of Mr & Mrs Robert Andrews (sold by their great-great-great-grandson) brought the phenomenal price of $364,000. This is still far below the record of $1,458,000 paid in 1930 by Andrew Mellon for Rembrandt's Alba Madonna.

History-laden old masters are not the only paintings colored by six figure price-tags. Impressionists like Renoir, Manet and Degas and some moderns like Picasso, Cezanne and Gauguin often sell in the rare aesthetic atmosphere of half-million & up.

Though art treasures are frequently recommended as "the most lucrative investment in the world" some gilt-edged headliners can fall out of fashion. Some prime examples cited by international art monthly *Réalités:* a Rosa Bonheur animal scene sold for $320,000 in 1887 is now valued at under $200; a Sargent watercolor in 1920 brought $20,000, now sells around $1,000; works of French Academician Bouguereau sold in 1886 for some $150,000, now fetch about $250.

STEEL
Fast First, Slower Second

THE FIRST QUARTER reports which had drifted in piecemeal by presstime pointed to a record first quarter for the nation's steel makers.

Of the early birds, No 4 steeler Jones & Laughlin offered earnings of $2.22 a common share as against $1.97 in the first quarter last year; Lukens Steel netted $2.45 against $1.06; Pittsburgh Steel $1.16 *v* 66¢; Lone Star 70¢ compared with last year's 57¢.

Though lower than the original exuberant post-strike expectations, first quarter production by the nation's steel makers set an all-time record for any quarter of 34,700,000 tons. The mills averaged well over 90% of capacity *v* 84% a year ago. And this year's rated capacity of 148,000,000 tons is nearly 1,000,000 tons larger than last year. Thus the 1960 first quarter output was 14% greater than the year before, with the gain in shipments even higher.

As generally accepted as the fact of a banner first quarter is the expectation of a slower second period. With inventories building up far quicker than many industrymen anticipated, operating rates have fallen fast, dipped below 80% Easter week. Then too, second quarter earnings will have to stack up against last year's fantastically active pre-strike quarter. Production at 93% came to 33,700,000 tons but shipments ran at over 100% for a record not likely to be challenged for some time.

Fast Growth of a Small Life Company

Youth and Vitality And New Ideas Spark American Heritage

THE SHARP RETORT "You're crazy—don't touch it!" started one of the most successful teams in the life insurance business. The pitcher was an experienced but young (now 40) insurance advisor named William Ashley Verlander; the catcher was an even younger attorney (now 34) named Claude Roy Kirk Jr who had been offered a good spot in an existing life company.

Today the handsome, six-foot-two pair runs one of the fastest growing life companies in the nation. Claude is president and "Ash" is executive vice-president & treasurer. For sage financial advice they rely on board chairman James Elsworth Davis who also happens to be chairman of successful Winn-Dixie Stores. A collegiate note: Claude & Ash are close friends despite Claude's affection for Alabama U and Ash's devotion to arch-rival Georgia Tech.

The Start. In 1956 Claude & Ash decided to start an insurance company and selected Florida as home state because of its growth potential. They immediately bumped into a shocker: Florida law requires $500,000 minimum cash capital before a license is granted and the SEC requires a license before any stock is sold publicly.

The youthful team got their first test of master salesmanship when they raised $500,000 cash from 21 individuals for an unborn company. They got the money by crusading the whole Southeast. In these eleven months they met "J E" Davis who also was interested in starting a life company. Says Claude: "That organization trip cost each of us $4,000 cash and we knew we could not be repaid under the law. But we're not fussin' either."

Sell Insurance. The US life insurance business is 201 years old and new sales techniques are as hard to find as an uninsured life agent. The team at Heritage hits hard with "exposure"—the more people you "ask to save money" the more insurance you sell. This exposure starts with Claude & Ash who are on the fly almost as many hours as they spend in their modest rented headquarters in downtown Jacksonville.

Exposure is behind the Heritage plan called "insurance centers" whereby a sub-office is located in a few selected supermarkets. Says Ash: "We don't expect to sell insurance at these booths because investing in insurance is a family affair. But we do make contacts so that when our agent calls he is not a stranger."

Another exposure idea is "payroll allotment" whereby Heritage gets permission to camp in a factory and talk insurance to all employes. If they buy, the cost is deducted from the paycheck.

Exclaims ebullient Claude: "You ask why they do it! The bosses say OKay because they know it's good for their staff. The employes do it because we have a damn good program. We convince them they should put something aside for themselves and their families * * * One of our best markets is the $5-to-15,000 a year man who should have more insurance."

A large market for Heritage is group insurance which has been aided by the industrial expansion in the Southeast. Heritage has 85 group "cases" including a large policy to cover the employes of Winn-Dixie. President Claude stresses Heritage makes good money on group insurance, an achievement which is somewhat of a novelty in the business.

The overall figures show life insurance in force was $85,000,000 at the end of 1957 and over $152,000,000 this week.

Invest Smartly. In the words of president Claude: "A good insur-

Claude & Ash—exposure is first

ance company is also a good investment company." With a nestegg of $500,000 plus rising premium income, Heritage has done remarkable things with its portfolio. In 1958 "investment income including capital gain" was $236,000 and last year it leaped to $644,000. Regardless of erratic markets, the investment side of the business showed a profit of $159,000 in the first quarter of this year.

Behind this record is a preference for good securities with capital gains potential instead of the blue-edged triple-A variety. Heritage cashed in on such convertible bonds as Sperry Rand, ACF-Wrigley, American Machine & Foundry and even the latest Collins Radio. On one instinct or another, the company cut its common stock holdings from almost 10% of its portfolio to 6% in late 1959. Says Ash: "We are lookin' around again."

The other side of the portfolio shows only 9% in mortgages *v* 40%

for the average life insurance company.

The combined results of sales exposure and portfolio management are startling. Because of the cost of putting business on the books (agent commissions, etc), the average young life insurance company is in the red for the first five-to-seven years until sufficient renewal premium is built up to carry normal expenses. But American Heritage reported $348,000 profits in 1959, its third year.

Look Ahead. With a contagious gleam in their eyes, Claude & Ash like to talk of the "balanced day" for themselves and their agents. This means any Heritage agent (only 90 right now) starts each day with a full list of "exposures;" he knows where to call and when to call. Says Claude: "Even on a rainy afternoon you won't find our men sitting in their $5,000 chair."

The "balance" goes a bit further. The team at Heritage realizes any agent should have more to sell than life insurance. Thus barely six months ago Heritage exchanged its own stock worth $4,139,000 for a 95-year-old fire company called Reliable. This company has paid dividends for 72 years and by no coincidence almost one-third of all premiums comes from Florida.

Amplifies Ash: "This was a good deal for the seller, American Title [IR, Feb 4, 1959], and a good deal for us. Now we can insure a man's home along with his life. Sooner or later we will go into auto insurance but right now the business is a headache with a ceiling on rates and too many losses * * * Aside from autos we are always looking for a merger, especially where management is strong."

Considering its youth and size (latest total assets: $15,000,000), Heritage has 2,734,000 common shares and 13,000 stockholders, both more than many companies listed on the Big Board. This is another form of "exposure" since there have been three separate public offerings of the common and each time the emphasis was on greater distribution.

These underwritings plus the verve in Heritage itself stirred investors enough so the common rose from 2 in 1956 to almost 15 in 1958-59; last week the shares were around 9.

Claude & Ash like to talk about the 11,000,000 new family units expected in the Sixties; and that two of every five families in the nation will earn over $7,500 a year. Moreover there is plenty of room in the business—total admitted assets of US life companies are above $110 billion. As if to prove the point, Claude & Ash take visitors to a window of their Jacksonville office and point to the magnificent new 19-story Prudential building across the river. Almost in unison they say: "That reminds us of where we can go."

For the record: The firm of Merrill Lynch, Pierce, Fenner & Smith has been co-manager of two American Heritage stock offerings. The first was a rights deal covering 942,000 shares at $5.50 a share in June 1958, the second was 348,000 shares sold at $12.25 in October 1959.

The Food Chain with the Non-Food Stores

Grand Union Continues Expansive Career Under New President Tom Butler

FROM unusual corporate headquarters atop a bustling shopping center in East Paterson, NJ, Grand Union's tall, distinguished new president, Thomas C Butler, keeps a sharp eye on customers in the supermarket below as well as his company's overall sales. Says he: "I like to wander around the store—especially when it's busy."

Though wise in the ways of grocery chains from 41 years with Grand Union, 59-year-old president Butler is still getting used to the view from his new office. He became chief executive in January after the sudden death of long-time president Lansing Shield.

"If you can't lick the chain stores, join them" was Tom Butler's theory after starting work for his father's horse & wagon grocery business in Granville, NY. He joined Union Pacific Tea as an accounting clerk in 1918 and that company joined Grand Union in 1922. Since then he has mounted the financial side of the ladder: assistant secretary in 1928, controller in 1930, treasurer in 1936, added a seat on the board in 1948 and a vp's title ten years later.

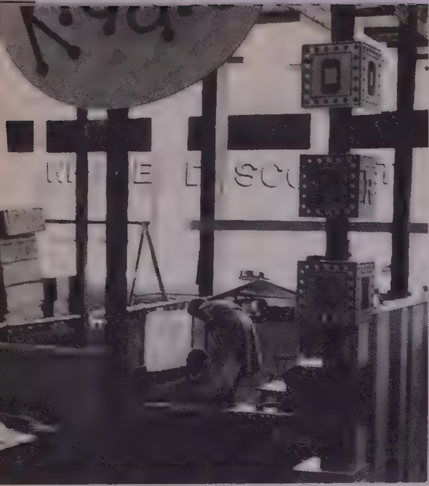
The nation's eighth largest food chain, $125,000,000 - assets Grand Union currently rides the crest of a vigorous growth wave. Partly as a result of rapid acquisition of smaller chains, sales in the last five years have risen steadily from $283,000,000 produced by 345 markets in 1955 to $603,000,000 from 451 markets in fiscal 1959 (the year ended this February 29). Last year's record sales were 20% over 1958 and earnings rose to approximately $1.75 a share from $1.58. Plans for 1960 include 34 new stores and 26 renovations "which should add $90,000,000 in sales if we get all the openings we want."

Foodless Sales. A feature of Grand Union's recent growth is

President Butler briefs 'Clerks Day' sub

heavy emphasis on non-food lines. The company has gone further in this direction than any other big food chain. The method is its 14 Grand-Way Discount Centers which offer under one gigantic roof right in with a full-fledged food supermarket over 30,000 items of general merchandise from clothes to TV sets; also lunch counters, stereo listening rooms and supervised play areas for children (see picture, pg 16).

Started as an experiment in 1956



Kiddie Korner play while mom shops

Grand-Way stores (IR, June 12, 1957) test an extension of the principle behind supermarkets—one-stop shopping. "We also believe there are no arbitrary restrictions on what a supermarket may sell," explains president Butler, "and will continue to develop the Grand-Way concept along with conventional supermarket operations." Thus nine of the new stores planned for 1960 are Grand-Ways (one may be blocked if a proposed superhighway preempts the site).

But Grand Union has not gone in for indiscriminate merchandise expansion in ordinary supermarts. Its regular supermarts carry no greater non-food assortment than many competing chains.

The division between supermarkets and Grand-Ways also applies to store locations. Grand-Way spots are picked with much greater circumspection; they "need far larger sites (up to 100,000 square feet store space compared to around 10-to-25,000) and must be able to draw on a considerably larger shopping population."

Grand Union's stress on non-food lines has started a hot debate in the supermarket industry. After a 13-month, $75,000 study, members of the Super Market Institute were recently advised by famed consultant Raymond Loewy to expand non-food operations as "a new avenue to increased profits." However A&P president Ralph W Burger comments he expects a "leveling off" of the trend to non-food selling by supermarkets because "today's shopping centers effectively concentrate the sources of almost anything a householder buys." And Kroger president Joseph B Hall wants to stick largely to foods "which move faster, tie up less money and offer maximum profit."

Into Puerto Rico. With or without non-food lines, president Butler expects to continue expansion by building more stores and looking for smaller food chains. However Grand Union is unlikely to go outside the present area of nine Northeastern states and the District of Columbia plus Florida and Puerto Rico.

Last year the company sold 38 markets in Canada and six in Florida but purchased four in Puerto Rico. The Florida sale reflects a decision to confine food markets to the Miami area. But two more Grand-Ways are abuilding in St Petersburg, one in Orlando. Butler reports sales up in all Puerto Rico markets and plans a number of new stores there.

An even more impressive Grand Union move to capitalize on booming Puerto Rican retailing (IR, June 8) is through its 32%-owned realty affiliate, Eastern Shopping Centers.

Eastern developed and recently opened the Island's first regional shopping center, the $6,000,000 Santa Rosa Plaza in San Juan. Others are planned. Eastern also operates three mainland US shopping centers, has several others in blueprint.

Although cautious about sales gimmicks "unless they benefit the basic center," Grand Union's chief executive admits some of them have merit. About wholly owned Stop & Save Trading Stamp Corp, organized in 1956, he says: "I'd hate to think of dropping it. Stamps appear to be an important dividend to many of our customers. And we are very successful in selling 'Triple S' stamp plan participation to other stores, especially cleaners and gas stations."

Grand-Way stores extend credit on major appliances, principally through GE Credit Corp. Last year Grand Union began testing a revolving credit plan (also handled through GE Credit) applicable to all non-food purchases, with scrip granted for use at check-out counters.

Latest idea is a 24-hour self-service Laundercenter connected with a supermarket in northern New Jersey. Amazed that it is used around the clock, president Butler calls it "an experiment that's doing well."

No longer an experiment but a well-established employe morale and efficiency booster is the Lanse Shield-devised "Clerk's Day," now in its tenth year. Once a year store employes fill in for managerial personnel from president Butler (see picture, pg 15) on down, "to strengthen the liaison between the field and headquarters staffs."

Taking Stock. With its new fiscal year just under way, Grand Union's sales for the first five weeks were "disappointing," down 3.4% to $55,000,000. But these figures do not discourage the new president who says they reflect "terrible March weather, particularly in the case of Grand-Ways; also the absence of the 44 Canadian and Florida units and slightly lower food prices." Confident of his company's ability to increase sales and profits, Tom Butler estimates another record year coming up.

This confidence obviously is felt by interested investors since last week Grand Union's 4,100,000 common shares (GUX on the Big Board) rose to a 1960 high of 32 despite a ragged stock market. Over the years the 10,000 common shareholders of GUX have done extremely well thanks in part to stock splits in 1948 (2¼-for-1), 1955 (2-for-1) and again last year (3-for-2), plus stock dividends of 10% in 1950 and 3-to-5% each year since 1953. Earlier this month directors declared the regular 15¢ quarterly cash dividend and came through with 5% for this year's stock payment (*v* 3% a year ago).

At this point in their history supermarket chains face increased competition among themselves as well as from other retailers who resent supermarket invasion into various non-food fields. Regardless of non-food trends, population estimates alone would indicate a healthy future from the larger amount which will be spent on the food stores' big commodity—food.

Healthful Glow at Warner-Lambert

Drugs and Cosmetics Prove Good Diet for New Jersey Firm

AS HE LEANED back in his leather-stuffed chair the graying, good-looking executive took a deep breath and a telescopic look ahead: "In five years I expect more than 40% of our sales will be in products not on the market five years ago."

For an ordinary ethical drug company such a statement would come as no surprise—what with the rapid obsolescence of yesterday's wonder drugs and the feverish development of tomorrow's, many companies boast 50-to-75% of today's sales stem from products unknown less than ten years back. But president Alfred Eastlack Driscoll's Warner-Lambert Pharmaceutical Company is no ordinary drug company. Much of its business comes from such timeless specialties as Listerine, Bromo-Seltzer, Super Anahist, Gelusil and Sloan's Liniment.

While the great majority of both ethical and proprietary drug houses have for some time busily endeavored to bridge the no-longer-too-clear boundary between these two fields and establish a foothold in the opposite terrain, $80,000,000-assets Warner-Lambert stands out as probably the most firmly entrenched on both sides of the dividing line. Furthermore, Warner-Lambert has an unusually long list of other lines. Aside from drug and medicinal chemicals, it is a substantial factor in cosmetics & toiletries, drug sundries, plastics, glass containers; also a $20,000,000 advertising agency which handles outside accounts and some Warner-Lambert products.

This interesting status is the result of the biggest merger spree in the drug industry. In fact when the company (then known as Warner-Hudnut) first offered stock to the public in 1951 it was already the product of nine major mergers. One of these was the 1916 combination with Richard Hudnut which gave its first crack at cosmetics to pillmaker Warner Company. Warner had started life as William R Warner's Philadelphia drugstore in 1856.

Acquired Quartet. Since going public, the hungry pharmacist has swallowed an additional four companies. In 1952 Chilcott Labs gave a big boost to Warner's then rather minor ethical business. In 1956 the company acquired Emerson Drug (Bromo-Seltzer, plus two glass bottle manufacturing subsidiaries) and Nepera Chemical (Super Anahist).

But by far the most important merger was the 1955 combination with Lambert Company. Besides a new corporate title, Lambert brought with it Listerine, Pro-phy-lac-tic brushes, a line of molded industrial plastics and plastic dinnerware, plus a Manhattan ad agency. Also Lambert had its own ethical drug subsidiary to fortify Chilcott's activities.

A yet bigger merger, and one strictly outside the drug field, never came off. In the Fall of 1958 Warner-Lambert and tobacco king R J

Reynolds discussed consolidation. But a few months later the deal fell through.

Even so, the Warner merger score has contributed to and been enhanced by an impressive tally in sales and earnings. Since 1951 the company has more than quadrupled sales to last year's record $191,000,000 and expanded earnings nearly five fold from the $3,280,000 of 1951 to 1959's $16,400,000, also a record. Naturally the extra shares issued for a number of the acquisitions have somewhat diluted the gain on the stock; nonetheless the holders can look back on a very satisfactory rise from $1.35 a share in 1951 to $3.06 last year.

Warner-Lambert now does 24% of its business in ethical pharmaceuticals and medicinal chemicals; another 34% in proprietaries. Drug sundries like toothbrushes and combs account for 12%; toiletries and cosmetics 16%; while plastics, glass containers and other products bring in the remaining 14%.

Warner-Lambert markets its products throughout the free world. Firmly entrenched in foreign markets since the mid-Thirties, the company last year collected almost a quarter of its sales and about a third of its profits abroad. President Driscoll notes "we feel we have an advantage in our foreign operations. We have been internationally minded for a longer period than many US companies and are thus better integrated with foreign economies."

The Bosses . . . Chief compounder of the fabulous Warner-Lambert growth is famed pharmacist Elmer H Bobst who picked up the president's pestle at Warner in 1945 after he had officially retired at age 60 as president of the US branch of Swiss drug firm Hoffman-LaRoche. Now 75, master-builder Bobst also has an eye to building good executive talent. In 1954 he offered friend and fellow Jersey Republican Al Driscoll (who was just finishing his second term as Governor) the Warner-Lambert presidency while he himself moved up to chairman.

For almost-native Jerseyite Driscoll (he happened to be born in Pittsburgh though the Driscoll fam-

Production push for Gelusil

ily pioneered in New Jersey) the offer was a chance to launch yet another career in a life which was already almost as many-faceted as Warner-Lambert itself. A graduate of Williams (1925), Al Driscoll went on to get his law degree from Harvard with the class of 1928 which he notes "has since turned out to be quite a politically oriented class. It included two other future governors, Bob Bradford of Massachusetts and Horace Hildreth of Maine."

Al Driscoll started with Camden, NJ law firm Starr, Summerill & Lloyd in 1929 and almost immediately launched into public affairs. His duties as president of the Haddonfield (NJ) Board of Education, Revenue and Finance Director for Haddonfield Borough and finally four terms as State Senator led almost naturally to the governorship which he captured in 1947. As his second term wound up, the Governor. whose accomplishments included a complete revamp of New Jersey's judicial system, felt: "I couldn't go back to law. I had appointed practically every judge in the state. If I won a case someone might say it was because I appointed the judge. If he decided against me I'd probably have gotten too damn mad at his leaning the wrong way."

Though a businessman's life was new to Governor Driscoll the drug field was not. As Governor he had evidenced a keen interest in mental health, was responsible for a big expansion in mental illness research plus the construction of new state mental facilities. He recalls: "One of my toughest jobs as Governor was to visit the old mental institutions. It was hard to believe human beings could fall so low. There was such a need for additional facilities we couldn't build them fast enough."

. . . Rely on Research. Now Al Driscoll finds himself as busy running Warner-Lambert as he once did heading the nation's ninth-largest state. One of his tasks is to see Warner-Lambert lives up to the sales and product predictions he and Elmer Bobst make for it. To this end Warner-Lambert, like any major drug contender, relies heavily on research. The company releases no figures but since its broad product base includes some lines entailing relatively little research work, the overall percentage of sales spent for research does not match more concentrated drug houses. But president Driscoll assures: "On ethical drug research we are ahead of the average reported for the better houses and about 90% of all our research goes into our drug lines."

In June 1958 the company formed the Warner-Lambert Research Institute, a non-profit organization which conducts both basic and applied research for the ethical and proprietary drug divisions as well as the cosmetic business. The approximately 250 scientists who labor at the Institute's new brick lab directly across the road from the company's Morris Plains, NJ headquarters, have turned up a number of promising new products.

Mind, Heart and Gums. One of the most recent is Nardil, an antidepressant introduced last June.

Nardil has been "particularly well received by the medical profession" and Warner-Lambert has great hopes for it. Warner-Lambert was already established in the mental health field with tranquilizer Pacatal introduced in 1956. Two other products in the mental health field are now in clinical testing but president Driscoll notes: "I'd rather not talk about them till they're ready for the market."

Also in testing are Coly-mycin, a drug used to treat infants' diarrhea and intestinal infections which marks Warner-Lambert's bow into antibiotics and Triopron, an anti-cholesterol drug. Warner-Lambert has done considerable other research on heart disease drugs. Its Peritrate, now available with phenobarbital, is one of the best selling and most effective heart drugs.

But not all Warner-Lambert research is in drugs. Currently among the company's most popular products are the "Double-Duty tooth brush" and Fizzies. The brush incorporates a hard bristle center core to scrub the teeth, surrounded by a couple of rows of softer bristles which massage the gums.

Fizzies are Warner-Lambert's sparkling soft-drink tablet; they come in eight different flavors. When dropped in a glass of plain water they dissolve to make a soda pop drink. Now in national distribution, they "are making substantial gains in both sales and earnings."

Market Maintenance. Just as important as pushing new products is maintaining markets for the old. Warner-Lambert has been able to

Palatable coat for WLA pills

do this to an amazing degree. For example Listerine which enjoyed a substantial sales increase in the 1957 flu epidemic not only lost none of the gains made then but boosted sales 30% again last year.

Each Warner-Lambert product is carefully tested for effectiveness and sales potential before it ever gets to market. After development, drugs must first be tested in animals for toxicity. Then they can be released for clinical tests. If these prove out, the company applies for Food & Drug Administration approval, then must seek to familiarize the medical profession with the new development. Warner-Chilcott Labs, the company's ethical drug division has a staff of several hundred salesmen each of whom visits an average of about eight physicians a day to acquaint them with new products and developments.

Consumer products, on the other

hand, are directly tested on the public in a carefully selected area before national distribution. A good test market area can be anywhere "but it has to represent a good cross section of people and also have TV, radio and news coverage."

With its vast foreign organization "we also are in the fortunate position of being able to test market almost anywhere in the free world." The company sometimes tries out new products in Canada and Britain before launching them in the US.

This extensive testing and test marketing is important not just to measure sales potential. It often turns up snags not brought out by lab work. One example was Warner-Lambert's troubles last year with its new Hudnut home permanent, Fashion Quick. After early complaints the neutralizing solution burned the eyes, Warner-Lambert reworked the solution and Fashion Quick is now back on the market in a "completely safe" form.

Warner-Lambert hopes Fashion Quick will soon make a big curl in the home permanent market. The industry is highly competitive and sales have fallen in the past few years due to the trend toward straighter women's hair styles.

Another cosmetic kink is the recent Food & Drug Administration ban on the use of certain coal tar colors in lipstick. The ban has been temporarily stayed while Congress investigates but if it goes through president Driscoll insists "we will be able to live with it. We have good research facilities and testing of the ingredients for safety would not pose a very great problem." Also since all cosmetic companies are affected the order will not hurt the competitive position of any.

Probing Problem. Of far more serious interest to the Warner-Lambert president is the Kefauver Committee investigation into drug pricing policies. He insists the drug companies are not the materialistic ogres some probers want to make them out to be but more humanistic than most people realize. To prove his point he cites this story: "A young couple over in Baghdad with an American oil company had been trying for several years to have a child. Finally after many miscarriages they had about given up. In response to a hurry call we airmailed a special shipment of our drug Releasin. A few months later the mother had a normal delivery. We didn't make any money on that and we never will on Releasin. It is far too expensive to produce for profit. It takes the ovaries of 500 sows to make one gram of the drug. But we will continue to produce it since people need it." In another case the company sent a shipment of its then experimental Coly-mycin to a doctor who was trying to save the life of an infant for whom nothing else had worked. It did.

Though Warner-Lambert is not as directly affected by the Kefauver hearings as some other drug companies, the controversy may be one explanation of the recent poor performance of the company's common stock. Notes Al Driscoll: "We have no explanation. There hasn't been any big institutional selling; rather

some of our big holders tend to stow away their stock and so less is available for trading. Anyway we like to tell our employes to keep their noses out of the *Wall Street Journal* and their eyes on the profit & loss statements."

The 5,260,000 common shares which trade on the Big Board under the ticker symbol WLA, rose to a high of 65½ late last year, have since fallen back to around 58. At this price they yield 3% on the current 37½¢ quarterly dividend plus a 15¢ year end extra. Over the last five years Warner-Lambert payout has averaged about 50% which president Driscoll describes as "moderately liberal. We plan to continue our liberal position but consistent with retaining sufficient funds for expansion."

Currently ahead of the common are $5,735,000 in long-term debt and 35,000 shares of $4.50 preferred. The company called 35,700 shares of the preferred last year and more than likely the balance will have been retired by next January. President Driscoll is less talkative about Warner-Lambert's future sales and earnings He remarks: "I always hesitate to be a prophet. But the first quarter was ahead of last year and we anticipate gains in both sales and earnings for the full year."

Looking ahead to the next five years he figures "an internal sales growth goal of at least $75,000,000 is substantially conservative." And of course there may be more acquisitions since "it has always been our policy to look for growth both externally and internally."

APPLIANCES
Waste King Wastes Not

WITH ITS new year barely started president Bertram Given buoyantly looks ahead and predicts $50,000,000 sales for West Coast appliance maker Waste King Corp in the March 1961 fiscal year. This would better by 40% the estimated $36,000,000 sales record for the year just ended, which itself marked a 24% gain over fiscal 1958/59.

While president Given is quick to outline future sales prospects for the $15,000,000-assets Los Angeles firm, he exercises more caution when it comes to earnings. Thus he "declines as yet to predict" profits for fiscal 1960/61. Meantime he figures profits for the past year were "around $800,000" *v* $587,000 in 1958/59.

After adjustments for preferred stock conversions and for a series of quarterly stock dividends, this would work out to $1.26 a common share *v* $1.14. President Given notes "earnings would have been 29¢ a share higher were it not for the prolonged steel strike. The company continued to produce during the strike but had to pay premium prices for domestic and foreign steel in order to maintain its position in the highly competitive market."

Originally known as Given Manufacturing Company (it switched to its trademark-identifying name in 1956), Waste King is a relative newcomer in appliances. It set up shop in 1946 to make household and commercial garbage disposers. These are still the company's biggest product and in turn Waste King, with one-third of the market, is far and

away the leading disposer maker (No 2 is GE). During the company's 15-year history it has broadened its kitchen-oriented line to include dishwashers, ranges, ovens, incinerators.

Waste King Cookery. In January 1959 Waste King took a big outside step and paid 82,000 common shares for Cribben & Sexton Company. This Chicago manufacturer supplemented the Waste King line with its electric and gas ranges as well as Universal Chef commercial cooking equipment, enabled Waste King to offer a complete kitchen line to builders.

During the last two months of fiscal 1958/59 Cribben & Sexton lost $58,500 for Waste King. For the year just completed president Given reports the subsidiary has been "doing better, but we don't as yet have figures to see if it's in the black." But Waste King feels it is making progress. It has instituted a number of operating efficiencies including the sale of an unprofitable space heater business.

Waste King also looks for further progress from its overall product development. A new appliance line to be distributed in June includes an electronic oven, ten built-ins, a compact (fits into two square feet) oven-range plus various other ovens, ranges and dishwashers.

Bert Given points out Waste King enjoys a dual market with sales averaging out about evenly between kitchen modernization and new buildings (apartments and both higher and lower priced houses). In years such as this when housing starts fall, the big replacement market provides some cushion for the company. Another bright factor for president Given is a "balancing" reaction among builders: "In periods when it is difficult to sell, more & more builders tend to use good appliances in their houses."

Yet another plus: a relatively untapped market. University of California-educated Given estimates "only 7% of the electrified homes today have disposers and 4.5% dishwashers."

Waste King Aloft. Aside from its branded appliances, Waste King also operates in defense work. Its Technical Products division makes electronic and electromechanical products for aircraft and missile units. It makes the LEV-3 Gyro systems which stabilize vehicles in flight; one form is in the Jupiter C, another in the Pershing missile and yet another is slated to go into Project Mercury. Another Technical Products development: the pitot-static tube, a sensing gadget (see picture) attached to the nose of super-

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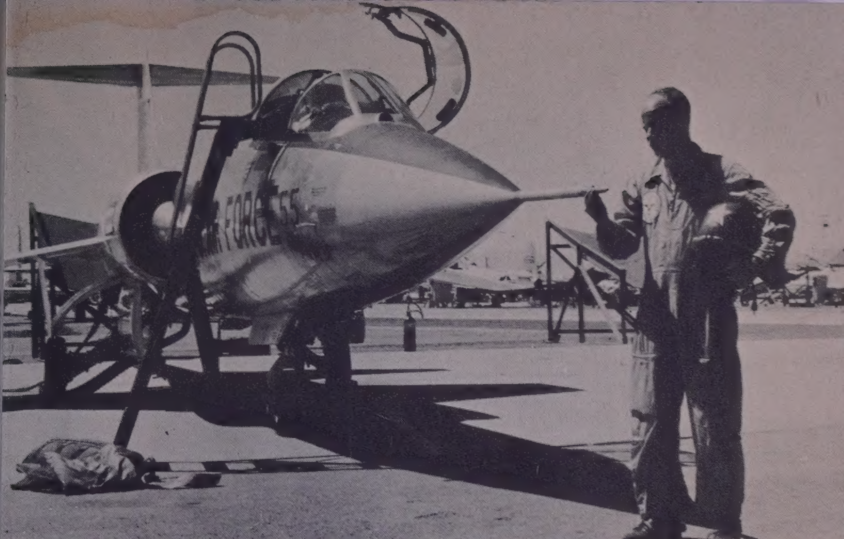

Disposer maker's pitot-static tube for F-104

sonic aircraft and missiles to measure speed, angle of attack, side slip, etc.

One of "our most promising new technical products" according to manufacturer Given, is an air data recorder, the division's first major commercial item. The device keeps tabs on all sorts of in-flight data like rate of climb, speed, direction, altitude, etc. The FAA already requires all commercial jets and turboprops to have such equipment and the ruling may be extended to piston planes. Waste King has 240 orders for flight data recorders (they cost about $6,500 each) from United, Eastern, Northwest and Western and some foreign lines as well as Boeing. In the near future it expects at least another 100 orders. Another potential market: military jets.

Technical Products now accounts for only about 13% of Waste King volume. But it too is in for some expansion. President Given explains: "Prior to the Cribben & Sexton acquisition it accounted for about 25% of sales and that's the level we'd like to maintain."

Despite acquisitions and conversions, Waste King still has only 488,000 shares outstanding which currently trade around 25 over-the-counter. After a previous issue was converted, the company in March 1959 sold 100,000 shares of a new $1.05 preferred ($17.50 par), convertible into 85/100th of a common share through March 1969. About 95,700 are still unconverted.

Since 1956 the company has paid a 2% common stock dividend every quarter. However it has paid no cash dividends since it became publicly owned in 1955 save for a 20¢ distribution that year.

PROSE AND POETRY

Emerson called money "the prose of life"—a term that strikes us as apt enough. Certainly most of us earn our money fairly prosaically. What's more, the bulk of it goes to purchase pretty prosaic things, the necessities of life.

People used to say that the best things in life are free, but you don't hear it said very often any more. In these inflationary times, it has an unrealistic, Pollyanna ring. For example, good health may be free—but good medical care isn't. Everyone knows there's a lot to be learned in the tuition-free college of hard knocks. But an A.B. degree costs cold cash as well as hard work. And so on.

The poetry of life doesn't come free, either. Books and records, travel and sports, art and theatre all cost money. In short, you need the prose of life to purchase the poetry.

It follows then that the more "prose" you have, the more "poetry" you can enjoy. So if you have funds that are lying fallow, why not put them where they have a good chance of earning a good return for you? Why not invest them in stocks and bonds? Then you may have the opportunity of agreeing with Emerson's observation that "money, which represents the prose of life, is, in its effects and laws, as beautiful as roses."

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